

Message Text

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61
ORIGIN NEA-16

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-03

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DRAFTED BY NEA/INS:RDLORTON:JET

APPROVED BY NEA:LBLAINGEN

NEA/INS:DHKUX

ASIA/SA/SIN:JCOLES

ASIA/SA:HREES

ASIA:AWHITE

ASIA/CD:TSTERNER

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P 232300Z AUG 74

FM SECSTATE WASHDC

TO AMEMBASSY KATHMANDU PRIORITY

CONFIDENTIAL STATE 186243

E.O. 11652: GDS

TAGS: EAID, NP, US

SUBJECT: SURKHET ROAD

REF: A) KATHMANDU 3380; B) KATHMANDU 3371; C) KATHMANDU
2245

FROM LAINGEN AND WHITE

1. AFTER CAREFUL CONSIDERATION YOUR VIEWS AND RECOMMENDATIONS, OUR CONCLUSION REMAINS THAT WE ARE UNABLE TO GO BEYOND OFFER OF DOLS 7.3 MIL. DL PLUS DOLS 3.4MIL. EQUIVALENT IN RUPEE GRANT. THEREFORE, WE DO NOT WISH TO GO BACK TO GON WITH OFFER TO RESUME DISCUSSIONS AT GRANT OF \$5.48 MILLION EQUIVALENT LEVEL.

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2. WE RECOGNIZE PROBLEMS, PARTICULARLY THAT THE SEQUENCE

OF EVENTS WHICH LED TO THAPA'S AUGUST 14 LETTER MAY RAISE DIFFICULTIES WITH GON. HOWEVER, WE NOTE THAT MISSION DIRECTOR IDE CLARIFIED FOR MINISTRY FINANCE JOINT SECRETARY PANDE IN MID-JUNE THAT ONLY OFFICIAL OFFER CONVEYED TO GON HAD BEEN AMBASSADOR'S PROPOSAL TO GRANT UP TO \$3.4 MILLION RUPEE EQUIVALENT (KATHMANDU 2445). UNDER ANY CIRCUMSTANCES, ROAD AT COST OF \$19 MILLION PLUS IS DIFFICULT TO JUSTIFY IN TERMS OF COST/BENEFITANALYSIS

AS WELL AS NEW CONGRESSIONAL CRITERIA.

3. GON SHOULD UNDERSTAND PROJECT DISCUSSIONS OF THE SORT CARRIED ON ABOUT SURKHET ROAD DO NOT REPRESENT A USG COMMITMENT TO THE PROJECT BEYOND AN EXPRESSION OF WILLINGNESS TO DISCUSS POSSIBLE U.S. PARTICIPATION. FINAL AID/W AND INTERAGENCY APPROVAL MUST ALWAYS BE OBTAINED BEFORE FUNDS CAN BE AUTHORIZED. WE HAVE ALREADY DISCUSSED MANY OF THESE POINTS WITH AMBASSADOR KHANAL BUT WILL WEIGH IN FURTHER IF YOU THINK THIS WILL HELP CLARIFY MATTERS (MEMCON POUCHED).

4. WE BELIEVE WE SHOULD CARRY ON FROM LAST PARAGRAPH OF THAPA'S LETTER, I.E. ADVISE THE GON WE REMAIN COMMITTED TO ASSISTING THEIR DEVELOPMENT EFFORTS WHENEVER WE CAN IN PROJECTS THAT WILL CARRY THE BENEFITS OF DEVELOPMENT DIRECTLY TO THE PEOPLE. THIS IS IN KEEPING WITH OUR CONGRESSIONAL AID MANDATES AND KING BIRENDRA'S OWN STATED DEVELOPMENT GOALS. WE WELCOME FURTHER SUGGESTIONS FOR OUR PARTICIPATION IN HIGH PRIORITY NEPALESE PROPOSALS, AND WE WILL MAKE A SPECIAL EFFORT TO EXPEDITE PROJECT PLANNING AND DEVELOPMENT FOR NEW PROJECTS SO THAT THE FLOW OF RESOURCES TO NEPAL WILL IN TURN BE FACILITATED.

5. AMBASSADOR MAY WISH TO FOLLOW THIS LINE WITH KING DURING AUDIENCE SCHEDULED AUGUST 27. HE ADDITIONALLY MAY NOTE OUR UNDERSTANDING OF FACTORS WHICH WENT INTO NEPALESE DECISION AND OUR BELIEF THAT OUR INABILITY TO WORK OUT MUTUALLY SATISFACTORY TERMS FOR FUNDING THIS PROJECT SHOULD NOT AFFECT THE OPENNESS AND CONFIDENTIAL

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COOPERATIVENESS WHICH HAVE TRADITIONALLY CHARACTERIZED OUR LONG ASSISTANCE RELATIONSHIP.

KISSINGER

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NNN

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